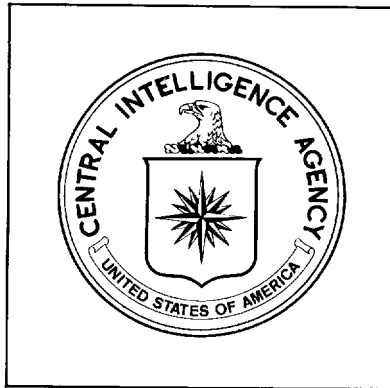


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SOVIET UNION - EASTERN EUROPE



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Moscow Backs Portuguese Communists

Moscow has placed itself more fully and openly on the side of the Portuguese Communists and Armed Forces Movement in the current political crisis.

Over the past few days signed commentaries have appeared in *Izvestiya* and *Pravda* pillorying the Portuguese Socialists and expressing support for the Armed Forces Movement. The *Izvestiya* commentary, going farther than Moscow has heretofore, asserts that the "new Portugal" can count on active economic and political support from the "socialist" countries. The Portuguese Socialists are, in essence, charged with being class enemies.

Moscow's more forthright backing of the Armed Forces Movement and the Portuguese Communists suggests the Soviets expect the rapidly developing crisis will soon come to a head. The Soviets clearly want to be publicly aligned with the "progressive" forces, but they also may have been under pressure from the Portuguese Communists to take a stronger stand.

If, as Moscow apparently believes, the Armed Forces Movement comes out on top, the Soviets will be in a better position in Lisbon. Even if things go badly for the Portuguese Communists, on the other hand, the Soviet gesture of support at a critical juncture could help protect Moscow from criticism within the communist movement.

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Egyptian Finance Minister to Moscow

Egyptian Finance Minister Ahmad Abu Ismail has been hurriedly dispatched to Moscow according to an Egyptian press report. Ismail, who was scheduled to return to Cairo from London yesterday, will be joined in Moscow by other Egyptian officials.

It is very likely that Ismail is going to Moscow to discuss the rescheduling of payments on Egypt's \$1.5-billion military debt. This issue is one of the major irritants in Soviet-Egyptian relations.

The intriguing question is which party took the lead in the hastily arranged visit. The Soviets have said that Cairo has not responded to an invitation to send a delegation to Moscow to discuss the issue. Sadat may have chosen this time to take up the offer on the assumption that a positive move toward Moscow would be useful in view of the uncertainties created by the UNEF affair. The odds are better, however, that the visit is at Soviet initiative. Moscow may judge that by discussing the debt question at this time it will:

- Head off moves such as further restrictions on Soviet port rights or abrogation of the Soviet-Egyptian treaty.
- Blunt Egyptian charges of inadequate Soviet support by making a positive gesture during a period of increased Arab-Israeli tension.
- Forestall an Egyptian default on the debt that would lose Moscow a lever in Cairo.



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Political Implications of
Floods in Romania

Ceausescu may attempt to deflect criticism from himself at a Central Committee plenum on Monday by seeking scapegoats for deficiencies in the country's flood control measures.

The Romanian leader is on the spot because his obsession with rapid industrialization has prevented the full implementation of the flood control program that the regime adopted in 1970. Possible scapegoats include Virgil Trofin, a known Ceausescu critic who has been exiled as first secretary to Brasov, and Angelo Miculescu, the minister of agriculture, food, and waters. Some local party officials in those areas hardest hit by the floods may also be ousted.

Ceausescu's long-held determination to pre-fulfill the country's current five-year plan is undiminished. The population has been mobilized to salvage the harvest, and increased pressure is being put on many already hard-pressed workers to make up for flood-related production losses by the end of the year.

Public morale, already low because of the regime's insensitivity to consumer interests, has undoubtedly deteriorated since Bucharest announced price increases last weekend. Romanians must now pay 103 percent more for heating oil and 25 percent more for natural gas. The regime, however, attempted to offset some of the burden by announcing token across-the-board wage increases.

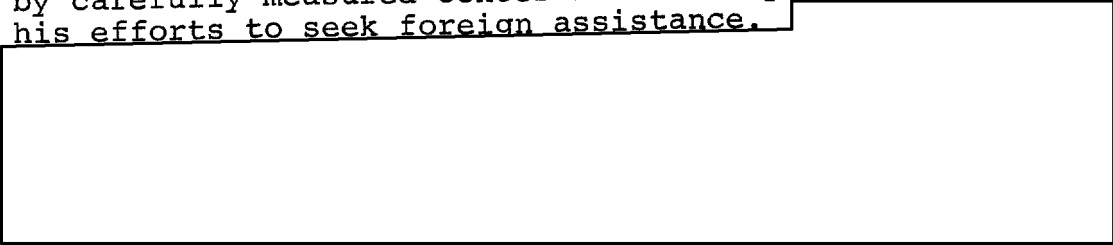
The US embassy speculates that some form of popular discontent, such as work slow-downs and

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stoppages, is likely. Although Ceausescu's position does not appear threatened, he is nonetheless increasingly vulnerable to popular criticism. He is quite capable of meeting any challenge, however, by carefully measured concessions and by increasing his efforts to seek foreign assistance.



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Czechoslovakia: Adjustments in
the Economic System

Political moderates favoring changes in the economic system may have temporarily gained the upper hand over ultraconservatives in the Czechoslovak regime at least on this issue.

Rude Pravo, the party daily, last week quietly revealed a potentially significant policy shift in an article entitled, "Changes in the Management System." The article--written by Jaroslav Kratochvil, a member of the party's National Economy Commission--carefully avoids specific changes, but it does cite the need for a "major change in the current system and greater progressiveness in the prepared modifications."

Public admission of fundamental economic shortcomings is highly unusual for the Husak regime. Publication of the article follows numerous debates in closed councils since last November's plenum of the party's Central Committee delved into kepo-litical and economic problems.

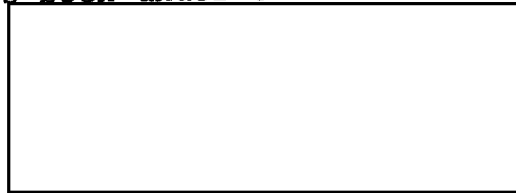
The changes are described as "draft modifications" designed by "large collectives of representatives of economic theory and practices," which suggests that discussions may be far from over. The conflicting goals of the proposed changes--strengthening central control and planning, on the one hand, and encouraging initiative at lower levels of management, on the other--also suggest plenty of room for debate. Should the discussions show signs of sharpening divisions in the leadership, party boss Husak may reject substantial changes and merely tinker with the existing mechanism.

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A trial balloon for the proposals may have been launched last December, when Herbert Durkovic, a Slovak deputy premier and a member of the Slovak party presidium, published two articles stressing the need for more flexibility in the economy--in particular more initiative at the enterprise level. Durkovic, however, apparently went too far by flatly asserting that not every idea from the Dubcek reform period should be dismissed out of hand as reactionary and unacceptable. There was no ensuing public debate over the merits of implementing changes in the system, but last week's article suggests that the subject has been under consideration within the leadership.



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Bulgaria: National Party Conference

The Bulgarian Communist Party last week held its fifth national conference in 60 years to discuss organizational and disciplinary problems. Party chief Todor Zhivkov showed concern over the party's lagging ideological awareness by calling on party organizations and members "from top to bottom" to perform their duties with increased diligence.

Zhivkov reminded party leaders of their responsibility to participate as active "political managers" in work collectives. He took a special dig at cadre who knuckle under to the economic technocrats, implying that these cadre had permitted "monetary incentives" to be stressed at the expense of "moral incentives" in efforts to increase production.

Zhivkov also cited shortcomings in the personal and moral qualities of the membership. He revealed that it has been necessary to punish a "significant number" of party members for unbecoming and illegal conduct, thereby "proving" that too many had lost sight of the party's original spirit. Zhivkov took a swipe at opportunism and youth by remarking that young Bulgarians all too often join the party and its youth organization for "their own selfish reasons," such as personal advancement.

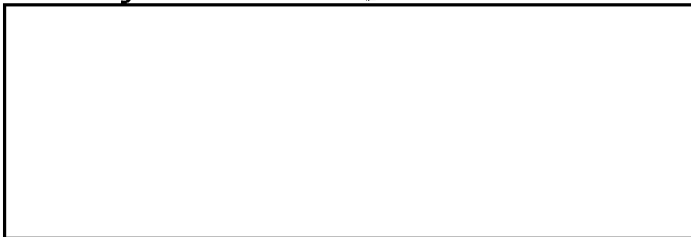
Zhivkov, who has long been concerned about maintaining tight party discipline, may have been prompted to make these latest remarks by the prospect of increased East-West contacts. A tightening of party discipline throughout Eastern Europe has been in evidence since December 1973, when party secretaries responsible for organizational and cadre affairs first met in Moscow to prepare ruling parties for the challenge posed by detente.

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It is likely that the Bulgarian leadership will increase its efforts to tighten discipline as it prepares for a party congress, now slated to be held in March 1976. Zhivkov's criticism of the party's performance also suggests that further personnel changes are likely before the congress meets.



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Rejuvenation of Main Political Directorate
of the Ministry of Defense

Analysis of a recent obituary and the results of the RSFSR Supreme Soviet elections indicate that the senior deputy chief of the Main Political Directorate of the Ministry of Defense, Colonel General N. A. Nachinkin (68), has retired. Nachinkin was replaced by Lieutenant General M. G. Sobolev, chief of the Organizational Party Work Directorate of the Main Political Directorate.

This is the second major retirement in the political directorate within the past year. In the fall of 1974, the first deputy chief of the directorate retired and was replaced by Colonel General G. V. Sredin (58). The third ranking deputy in the political directorate is Lieutenant General S. A. Bobylev (53). Formerly chief of the Leningrad Military District's Political Directorate, Bobylev was brought to Moscow following the retirement of the first deputy chief in 1974.

This rejuvenation of the upper echelons of the Main Political Directorate may portend a change in the leadership of the directorate. Army General Yepishev, the chief, is 67 years old and may be ready for retirement.



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New Soviet Foreign Trade Organization
for Construction by Foreigners

Moscow has recently established a foreign trade organization to arrange agreements with foreign organizations supplying labor and materials for construction projects in the Soviet Union. Soviet use of foreign labor, once forbidden, is becoming more common as high priority projects run up against serious shortages of skilled construction labor.

One of the first asks of the new organization will be to deal with the East European countries that will provide laborers to lay the Orenburg gas pipeline. East European workers began arriving this spring and are expected to number 30,000 when construction activity peaks. The deadline for completion of the project has been moved ahead 18 months, to January 1978.

The organization will also have a major role in enlisting firms to build at least 40 hotels in time for the 1980 Moscow Olympic Games. Intourist, the Soviet organization which oversees foreign tourism, has arranged for a few foreign-built hotels in the past. A hotel built by Finnish labor in Tallinn opened in 1972; another is now under construction by Yugoslavs in Yalta. A French firm signed a \$180-million agreement last December to build three hotels in Moscow and one in Leningrad; this firm will provide 800 foreign workers.

The construction aspects of the Soviet hotel expansion program requiring foreign labor and other inputs presumably will be managed by the new specialized organization, but Intourist is likely to retain authority over design, financing, and management of the hotels.



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